

# Educational Loan Notes

Michigan Guaranty Agency

Michigan Higher Education Assistance Authority

October 2001

## MGA CUSTOMER SERVICES READY FOR ANYTHING

If everything were routine, there would be no need for specialists. Unfortunately, unconventional problems do seem to occur. MGA Customer Services staff is available to assist you with any unconventional processing problems you may encounter. Please contact Jim Evans, MGA Customer Services Manager, at ext. 39599, if you need help with special requests or special projects.

Your routine requests for assistance should go to the Sallie Mae Call Center. Staff there are available to respond promptly to requests for new loan processing, loan status, maintenance updates, disbursements, requests for duplicate promissory notes or notices of guarantee (guarantee and print schools), general loan administration, federal regulations, and *Common Manual* policies and procedures. Sallie Mae staff has the same inquiry and immediate update capability as MGA staff.

Updated tear-off sheets with the Sallie Mae Call Center telephone number and options for student borrowers needing assistance are available. The pads may be ordered by using our online supply order form found on our Web site at [www.MI-StudentAid.org](http://www.MI-StudentAid.org).

The pads include the following information:

For questions on the status of loans guaranteed by the Michigan Guaranty Agency;

from your touch-tone telephone:

- Dial 1-877-872-4768 (Sallie Mae Call Center)
- Press "1" for English
- Press "1" for borrower, student, or co-borrower
- Enter Social Security Number
- Press "1" for Automated Status of Loan Application (Press "0" for a Customer Services Representative)

Sallie Mae Call Center hours are:

- From 8:00 a.m. to 8:00 p.m., Monday through Friday. During peak season, additional evening and Saturday hours will be available to assist you and your students.
- Automated voice response access is available from 7:30 a.m. to 11:00 p.m., Monday through Friday, from 8:00 a.m. to 5:00 p.m. on Saturday, and from 9:00 a.m. to 5:00 p.m. on Sunday.

Please contact Jim Evans with any questions or concerns about customer services.

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*Educational Loan Notes is a monthly news publication of the Michigan Department of Treasury – Michigan Guaranty Agency for members of the financial aid community in Michigan. Questions or comments may be sent to Jim Peterson, editor, Michigan Guaranty Agency, School Services Unit, P.O. Box 30047, Lansing, Michigan 48909-7547, or call 1-800-642-5626 extension, 36944 or via email [petersonj@state.mi.us](mailto:petersonj@state.mi.us).*

### **MICHIGAN GUARANTY AGENCY**

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*The mission of the Michigan Guaranty Agency is to provide Michigan residents with optimum access to postsecondary educational opportunities through low-interest, long-term educational loans.*



## DEADLINE DATE FOR REPORTING NEW NSLDS STATUS CODES

January 1, 2002, is fast approaching. This date is significant because that's when lenders and lender servicers **must** report the new loan status codes to the National Student Loan Data System (NSLDS). The U.S. Department of Education (ED) first notified lenders of the new status codes in the October 2000 edition of the *NSLDS Technical Update for Lenders and Lender Servicers - 2001-01*. Several *Loan Notes* articles have also been written to help lenders and servicers prepare for the new changes.

ED recommended that lenders and lender servicers begin reporting the new codes on July 1, 2001. However, ED recognized that all trading partners might not be able to implement the changes at the same time and advise all lenders and servicers to use the new codes as soon possible, but not later than January 1, 2002.

**Important Note:** All existing loan status codes may continue to be used for loan status effective dates prior to January 1, 2002. However, lenders and lender servicers **must** report the new loan status codes to MGA if the loan status effective date is on or after January 1, 2002.

If you have any questions or concerns regarding the new NSLDS status codes, please contact Betty Calloway, Manager, Lender Services Unit, ext. 39639, or via e-mail at [callowayb@state.mi.us](mailto:callowayb@state.mi.us).

## NSLDS TECHNICAL UPDATE

ED recently notified lenders of two important changes occurring with NSLDS reporting. The changes were featured in the September 19, 2001, *NSLDS Technical Update for Lenders and Lender Servicers - 2001-01*. Items of particular interest are:

### Cohort Default Rate (CDR) Information

Lenders now have the capability to access CDR information from the NSLDS Web site, at [www.nslsdfap.ed.gov](http://www.nslsdfap.ed.gov). You can access your own organization's cohort default rate history or the cohort default rate of other institutions, lenders, and guarantors. The CDR History List page is accessible from the Web site's "Organization Tab."

Before you can obtain any information from this site, you must have an NSLDS online ID and password. If you do not currently have online access to NSLDS, you will need to complete a Student Aid Information Gateway (SAIG) enrollment document. Enrollment, software, and mailbox information may be obtained at [www.SFAWebEnroll.ed.gov](http://www.SFAWebEnroll.ed.gov).

### NSLDS Loan Status Codes

In October 2000, ED mailed information to lenders regarding changes to the NSLDS loan status codes. A correction has been made to the Loan Status Code Table. The "DN" code was included in the previous distribution in error and has been removed from this table. The "DN" code would only be used by guaranty agencies in the event a defaulted loan was paid-in-full by a Consolidation loan. This code,

therefore, is not to be used by lenders when reporting loan statuses to the Michigan Guaranty Agency.

Also, please remember that federal law requires all lenders to report student loan information to guarantors. It is critical that borrower information is updated and reported regularly to ensure that the loan data on your system matches with the information that is on our system and, more importantly, the data sent to the NSLDS is accurate.

If you have any questions regarding this information or would like an updated version of the Loan Status Code Table, please contact Betty Calloway.

### GUIDANCE RELATING TO TERRORIST ATTACKS WEB SITES

ED has created a Web site that combines all information the Office of Student Financial Assistance (OSFA) has distributed relating to the attacks: [ifap.ed.gov/IFAPWebApp/SFAGuidancetoTerroristAttacks.jsp](http://ifap.ed.gov/IFAPWebApp/SFAGuidancetoTerroristAttacks.jsp).

NASFAA has also created a Web site: [nasfaa.org/linklists/terroristattackpage.asp](http://nasfaa.org/linklists/terroristattackpage.asp).

## NEW MINIMUM TECHNICAL STANDARDS TAKE EFFECT JANUARY 1, 2002

Schools are reminded that the ED's new minimum PC hardware and software requirements will take effect on January 1, 2002. Schools are required to meet these new minimum technical standards for the 2002-2003 award year.

*(Continued on the next page.)*

The new PC hardware requirements taking effect on January 1, 2002, include the following:

1. IBM or fully IBM-compatible PC with a Pentium 800 MHz processor or comparable;
2. 128 MB RAM or more;
3. 20 GB hard drive or more;
4. 56K modem (that meets or can be upgraded to V.90 standard);
5. Windows 95 keyboard;
6. Microsoft-compatible mouse;
7. Laser printer capable of printing on standard paper (8½ by 11);
8. 24x CD-ROM drive or higher, with sound board;
9. 3.5" / 1.44 MB diskette drive and 3.5" High-Density double-sided diskettes; and
10. Monitor and video card capable of Super Video Graphics Adapter (SVGA).

The software requirements taking effect on January 1, 2002, include the following:

1. A 32-bit operating system (Microsoft Windows 98, Microsoft Windows NT 4.0, Microsoft 2000, or Microsoft ME); and
2. An Internet Service Provider (ISP) that supports a 56K modem connection or higher.

Schools also must have Microsoft Internet Explorer Version 4.01, Service Pack 2 or higher, or Netscape Navigator Version 4.73 or higher.

Supported networks include Windows NT or Novell networks. Schools should also have a dedicated phone line for data transmission.

You may obtain more information on the new technical minimum standards and how to interpret them on the ED's IFAP Web site ([ifap.ed.gov](http://ifap.ed.gov)). At the main IFAP

page, click "Electronic Announcements" (under "Most Frequently Visited Publications"), choose the year 2000, then scroll down to the November 29, 2000, posting, titled "Analyzing your SFA Computing Needs to be more Productive and Save Money."

If you have questions regarding the new minimum standards taking effect January 1, 2002, contact CPS/WAN Technical Support toll free at 800-330-5947 or via e-mail at [cpswan@ncs.com](mailto:cpswan@ncs.com).

## CAMPUS CRIME AND SECURITY AT POSTSECONDARY EDUCATION INSTITUTIONS SURVEY

In August, ED mailed out letters to college and university Presidents about the Campus Crime and Security at Postsecondary Education Institutions Survey. By law, a school must publish and distribute an annual campus security report to all current students and employees in order to qualify for federal student financial aid programs. This survey is used to collect data needed for the generation of the annual campus security report requirement. Data collected in this survey will be used only for statistical purposes, and will be published by the Office of Postsecondary Education at the aggregate institutional level only. The survey submission deadline was October 8, 2001.

The purpose of this data collection is to provide prospective and current students information to help them make decisions about their potential or continued enrollment in a postsecondary institution.

Prospective and current students, staff, and the public use the data to assess an institution's security policies and the level and nature of crime on its campus. ED reviews the submitted data and submits a report to Congress. ED also makes these campus crime data submissions available to the public. In addition to the required annual campus security report, schools are required to provide timely warning of the occurrences of crimes that are reported to campus security authorities and local police agencies. The timely warning information is to be provided in an appropriate manner so as to prevent similar crimes from occurring and to protect the personal safety of students and employees.

Campus security and safety is an important feature of postsecondary education. ED is committed to assisting schools in providing students nationwide a safe environment in which to learn and to keep students, parents and employees well informed about campus security. These goals were advanced by the Crime Awareness and Campus Security Act of 1990. ED is committed to ensuring that postsecondary institutions are in full compliance with that Act, and enforcement of the Act is a priority. The ED survey help desk can be reached at 800-435-5985, or via e-mail at [campussecurityhelp@westat.com](mailto:campussecurityhelp@westat.com).



## FY 1999 COHORT DEFAULT RATES CONTINUE TO DECLINE

Fiscal Year (FY) 1999 Cohort Default Rates show that Michigan schools registered lower default rates in most categories from FY 1998 to FY 1999. In addition, Michigan's four-year public schools had lower default rates than the national average of 5.6%.

### School Type      Michigan Average

Public 4-year	4.5%
Public 2-year	7.3%
Private 4-year	6.2%
Private 2-year	0.0%
Proprietary	11.2%

A comparison of the national cohort default rates for the past three fiscal years is attached to this issue of *Loan Notes*. A comparison of Michigan schools' cohort default rates for the past two years also is attached.

## 2001 FALL SCHOOL WORKSHOPS

Mark your calendar for the 2001 Fall School Workshops. Once again MGA is offering three different locations. The workshops are scheduled as follows:

### **Tuesday, November 27, 2001**

Double Tree Hotel  
Novi, MI

### **Wednesday, November 28, 2001**

Bucks Run  
Mt. Pleasant, MI

### **Thursday, November 29, 2001**

Notos Restaurant and Conference Center  
Grand Rapids, MI

Tentative agenda topics include:

- Policy and Regulatory Update
- E- Signature
- Student Loan Consolidation
- Satisfactory Academic Progress

Letters will be sent out in October with a complete agenda and registration form. If you have questions or suggestions to include in the workshops, please feel free to contact the School Services Unit at ext. 36074.

## COMMON MANUAL UPDATES

The fifty-fourth set of *Common Manual* updates was mailed in September to MGA clients. These updates represent a number of policy and wording changes approved by the Governing Board on August 16, 2001.

- Lender of Last Resort
- Receipt of Forbearance After Claim Files/ Recalls
- Cure Procedures
- Pro Rata Refunds

**If you have any questions about this or past mailings of *Common Manual* changes or updates, please contact Linda Sienkiewicz, ext. 50077.**

## SCHOOL LIST UPDATES

The following changes should be recorded by lenders on MGA's "Active Michigan School List" dated June 21, 2001. If you have any questions regarding these

changes, please contact our School Services Unit, ext. 36074.

### **Institution Address Change**

#### **Elsa Cooper Institute of Court Reporting (023429-00), Southfield**

Change address to 24445 Northwestern Highway, Suite 220, Southfield, MI 48075.

## LENDER LIST UPDATES

School personnel should record the following actions on the "Participating Lender List" dated June 20, 2001. Please make the appropriate changes in all sections of the list as needed. If you have any questions regarding these updates, please contact the Lender Services Unit, ext. 36076.

### **Correction**

**Hillsdale County National Bank** should no longer be listed under EFS Eligible Lender Trust, 824573. They should be listed in the white section with the lender code 822661. Their address is: c/o EFS, P.O. Box 2307, Indianapolis, IN 46207. Telephone: 800-635-1867.

### **Institution Name Change**

**Old Kent Bank/Fifth Third Bank** has changed their name to Fifth Third Bank for lender codes **803408, 806078, and 808780.**

### **Joined Referral Loan Program**

The three institutions below have joined Sallie Mae Education Trust (802218). Their address is: c/o Sallie Mae-FL, P.O. Box 59012, Panama City, FL 32444. Telephone: 888-272-5543.



**Co-op Services Credit Union, 829144**  
**The State Bank, 826268**  
**United Bank & Trust, 806157**

The four institutions below have joined Comerica Bank's referral loan program (822660). Their address is: c/o UNIPAC, P.O. Box 64693, St. Paul, MN 55164-0693. Telephone: 888-486-4722.

**Central State Bank, 824944**  
**First National Bank of St. Ignace, 805916**  
**Saginaw County Employees Credit Union, 222004**  
**United Bank of Michigan, 832412**

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## **THE "ED" PIPELINE**

Following is a list of some of the most recent ED correspondence for lenders and schools.

**Dear Partner**  
**September 2001**  
**Gen-01-13**

This letter is the third in a series that provides guidance regarding the administration of the federal student financial aid programs authorized under Title IV of the Higher Education Act as a result of the terrorist attacks on the United States. It deals with the treatment of students and borrowers who are members of the National Guard or Reserves and who have been ordered to active military duty as a result of the recent terrorists attacks.

**Dear Partner**  
**September 2001**  
**Gen-01-12**

This letter is the second in a series that provides guidance regarding the administration of the federal student financial aid programs authorized under Title IV of the Higher Education Act as a result of the

terrorist attacks on the United States. It concerns upcoming institutional deadlines that may impact certain schools.

**Dear Partner**  
**September 2001**  
**Gen-01-11**

This letter is the first in a series that provides guidance regarding the administration of the federal student financial aid programs authorized under Title IV of the Higher Education Act as a result of the terrorist attacks on the United States. It specifically addresses the immediate needs of borrowers who are in repayment on a loan under the Federal Family Education Loan (FFEL), the William D. Ford Federal Direct Loan (Direct Loan), and Federal Perkins Loan programs.

**Dear Partner**  
**September 2001**  
**ANN-01-08**

This letter announces the November 1, 2001, SFA Satellite Videoconference.

**Dear Partner**  
**September 2001**  
**ANN-01-07**

This letter announces the training workshops for 2002-2003 EDEXpress Packaging that will be offered in most regions October and November 2001.

**Dear Partner**  
**September 2001**  
**ANN-01-06**

This letter announces the 2001-2002 Fiscal Management Training (FMT).

**Dear Partner**  
**September 2001**  
**ANN-01-05**

This letter announces three Electronic Access Conferences offered in 2001. These conferences entitled "Access for All" will be held on November 5 – 7, November 27 – 29, and December 11 – 13, 2001.

**Dear Partner**  
**August 2001**  
**CB-01-12**

This letter explains the Internal Revenue Service (IRS)/Department of Education (ED) Skiptracing Service.



# Calendar of Upcoming Events

## November 2001

- 2 NASFAA Fall Training (U.P.)
- 7-8 Fiscal Management Training (ED sponsored)  
Henry Ford Community College  
Dearborn, MI
- 7-9 NASFAA Fall Training (West)
- 12 MGA Office Closed
- 22-23 MGA Office Closed
- 27 Fall School Workshop  
DoubleTree Hotel  
Novi, MI
- 28 Fall School Workshop  
Bucks Run  
Mt. Pleasant, MI

## November 2001 (continued)

- 29 Fall School Workshop  
Notos Restaurant and Conference Center  
Grand Rapids, MI

## December 2001

- 7 NASFAA Fall Training (East)
- 24-25 MGA Office Closed
- 30 MGA Office Closed

## January 2002

- 1 MGA Office Closed
- 21 MGA Office Closed

If you need further information or wish to submit items for the calendar, please contact Jim Peterson, Editor, at ext. 36944, or via e-mail at [petersonj@state.mi.us](mailto:petersonj@state.mi.us)



91 DAY TREASURY BILL  
SPECIAL ALLOWANCE RATES  
FOR  
QUARTER ENDING SEPTEMBER 30, 2001

	Loan Rate	Special Allowance Annual Rate	SA Quarterly Rate	Part IV: Special Allowance Category Column C
<b>SA</b>	7% 9%	0 0	0 0	SA for loans made before 10/01/81.
<b>SB</b>	7% 8% 9%	0 0 0	0 0 0	SB for loans made on or after 10/01/81 and before 11/16/86; for enrollment periods beginning before 11/16/86.
<b>SD</b>	7% 8% 9% FVAR10 (6.94%)  PLUS/SLS Var (6.71%)	0 0 0 0  0	0 0 0 0  0	SD for loans made on or after 11/16/86 and before 10/01/92.
<b>SE</b>	FVAR7 (6.79%) FVAR8 (6.79%) FVAR9 (6.79%) FVAR 10 (6.79%) EVAR (6.79%)  PLUS/SLS Var (6.56%)	0 0 0 0 0  0	0 0 0 0 0  0	SE for loans with first disbursements made on or after 10/01/92 and before 07/01/94; or for loan periods that began before 07/01/94.
<b>SG</b>	Stafford Var (6.79%)  PLUS Var (6.56%)-CAP	0  0	0  0	SG for PLUS loans made on or after 07/01/94; for loan periods that began on or after that date. For Stafford loans made 07/01/94 to 07/01/95. For Stafford loans made on or after 07/01/95 during repayment periods only.
<b>SH</b>	Stafford Var (6.19%)  PLUS Var (6.79%)	0  0	0  0	SH for Stafford loans made on or after 07/01/95 during in-school, grace, and deferment periods only. For PLUS loans made on or grace, and deferment periods only. For PLUS loans made on or after 07/01/98.
<b>SJ</b>	Stafford Var (5.39%)	0.16%	0.04%	SJ for Stafford loans made on or after 07/01/98 during in-school, grace, and deferment.
<b>SK</b>	Stafford Var (5.99%)	0.16%	0.04%	SK for Stafford loans made on or after 07/01/98 during repayment.

**PLEASE NOTE:** The 91 Day T-bill Average (bond equivalent rate) is **3.35%** for the **Third** quarter of **2001**. The results in the following yields:

<b>SA</b> 3.35% plus 3.50% = 6.85% rounded up = 6.875%	<b>SG</b> 3.35% plus 3.10% = 6.45%
<b>SB</b> 3.35% plus 3.50% = 6.85%	<b>SH</b> 3.35% plus 2.50% = 5.85%
<b>SD</b> 3.35% plus 3.25% = 6.60%	<b>SJ</b> 3.35% plus 2.20% = 5.55%
<b>SE</b> 3.35% plus 3.10% = 6.45%	<b>SK</b> 3.35% plus 2.80% = 6.15%

**91 DAY COMMERCIAL PAPER**  
**SPECIAL ALLOWANCE RATES**  
**FOR**  
**QUARTER ENDING SEPTEMBER 30, 2001**

	Loan Rate	Special Allowance Annual Rate	SA Quarterly Rate	Part IV: SA Category Column C
<b>CA</b>	Stafford (5.39%) Var	0	0	CA for subsidized/unsubsidized Stafford loans made on or after 01/01/00 but prior to 07/01/03, during in-school, grace, and deferment periods only.
<b>CB</b>	Stafford (5.99%) Var	0	0	CB for subsidized/unsubsidized Stafford loans made on or after 01/01/00 but prior to 07/01/03, during repayment and forbearance periods only.
<b>CD</b>	PLUS Var (6.79%)	0	0	CD for PLUS loans made on or after 01/01/00 but prior to 07/01/03 (Note: special allowance will not be paid unless the calculated interest rate exceeds the 9% cap).

**PLEASE NOTE:** The 3-month Commercial Paper average (bond equivalent rate) is **3.41%** for the **Third** quarter of **2001**. This results in the following yields:

<b>CA</b> 3.41% plus 1.74% = 5.15%
<b>CB</b> 3.41% plus 2.34% = 5.75%
<b>CD</b> 3.41% plus 2.64% = 6.05%



# **FEDERAL FAMILY EDUCATION LOAN PROGRAM and/or FEDERAL DIRECT LOAN PROGRAM**

## **Institutional Default Rate Reduction Initiative Comparison of FY 1997, FY 1998 and FY 1999 Cohort Default Rates**

Note : These rates are accurate only as of October 2, 2001.

	FY 1997				FY 1998				FY 1999			
	# of Schools	Borrower Default	# of Borrowers Defaulted	# of Borrowers Entered Repayment	# of Schools	Borrower Default	# of Borrowers Defaulted	# of Borrowers Entered Repayment	# of Schools	Borrower Default	# of Borrowers Defaulted	# of Borrowers Entered Repayment
<b>Public</b>	1,932	8.3%	99,300	1,200,465	1,863	6.9%	85,741	1,245,697	1,828	5.6%	73,318	1,303,020
Less than 2 yrs.	222	10.7%	688	6,411	201	8.5%	542	6,390	183	7.0%	408	5,768
2-3 years	1,045	17.0%	36,344	286,041	1,016	10.7%	31,849	297,220	1,002	8.8%	27,485	310,412
4 yrs (+)	665	6.9%	62,268	908,013	646	5.7%	53,350	942,087	643	4.6%	45,425	986,480
<b>Private</b>	2,126	6.1%	37,660	613,143	2,047	4.7%	29,594	626,931	1,994	3.8%	25,049	645,873
Less than 2 yrs.	140	19.2%	898	4,672	122	14.4%	493	3,424	111	13.4%	426	3,173
2-3 years	395	11.0%	3,010	27,405	357	8.4%	2,194	26,146	325	6.6%	1,460	21,902
4 yrs (+)	1,591	5.8%	33,752	581,066	1,568	4.5%	26,907	597,361	1,558	3.7%	23,163	620,798
<b>Proprietary</b>	2,749	15.4%	51,704	334,796	2,580	11.4%	37,532	330,356	2,479	9.3%	32,390	345,417
Less than 2 yrs.	1,843	18.5%	20,895	113,131	1,678	14.2%	14,277	100,716	1,566	10.9%	10,430	95,643
2-3 years	764	14.2%	21,343	149,956	753	10.4%	15,540	149,661	751	9.1%	14,459	158,836
4 yrs (+)	142	13.2%	9,466	71,709	149	9.6%	7,715	79,979	162	8.2%	7,501	90,938
<b>Foreign</b>	422	4.3%	159	3,721	415	3.7%	155	4,202	399	2.2%	102	4,618
<b>Unclassified</b>	9	0.8%	9	1,128	5	0.6%	6	1,076	2	0.3%	2	605
<b>Total</b>	7,238	8.8%	188,832	2,153,253	6,910	6.9%	153,028	2,208,262	6,702	5.6%	130,861	2,299,533

Source: U. S. Department of Education

**FEDERAL FAMILY EDUCATION LOAN PROGRAM and/or  
FEDERAL DIRECT LOAN PROGRAM SCHOOLS IN MICHIGAN  
Institutional Default Rate Reduction Initiative Comparison of  
FY 1998 and FY 1999 Cohort Default Rates**

Type	Number of Schools		Number of Defaulted Borrowers		Number of Borrowers Entering Repayment		'98 Cohort Default Rate	'99 Cohort Default Rate
	FY 98	FY 99	FY 98	FY 99	FY 98	FY 99		
Public 4-year	15	15	1,974	1,820	37,238	40,797	5.3%	4.5%
Public 2-year	29	27	393	705	5,294	8,720	7.4%	8.1%
Private 4-year	38	38	1,017	1,178	17,002	19,005	6.0%	6.2%
Private 2-year	2	0	1	0	45	0	2.2%	0.0%
Proprietary	42	28	473	460	3,626	4,092	13.0%	11.2%
Graduate	6	6	20	9	99997	1,104	2.0%	0.8%
<b>Totals</b>	<b>132</b>	<b>114</b>	<b>3,878</b>	<b>4,172</b>	<b>64,202</b>	<b>73,718</b>	<b>6.9%</b>	<b>5.7%</b>